

MINUTES OF THE SPECIAL BOARD MEETING

BOARD OF DIRECTORS
INDIAN WELLS VALLEY WATER DISTRICT

AUGUST 18, 2022

The Special Meeting of the Board of Directors of the Indian Wells Valley Water District was called to order by President Saint-Amand at 8:00 a.m. in the Board of Directors Hearing Room, 500 West Ridgecrest Boulevard, Ridgecrest, California. **CALL TO ORDER**

The Pledge of Allegiance was led by Ty Staheli. **PLEDGE**

DIRECTORS PRESENT: President David C.H. Saint-Amand
Director Charles F. Cordell
Director Charles D. Griffin
Director Stan G. Rajtora
Vice President Mallory J. Boyd **ROLL CALL**

DIRECTORS ABSENT: None.

STAFF PRESENT: Don Zdeba, General Manager
Jason Lillion, Operations Manager
Ty Staheli, Chief Financial Officer
Reneé Morquecho, Chief Engineer
Lauren Smith, Recording Secretary

VIA TELECONFERENCE: Jim Worth, Attorney

AGENDA DECLARATION **AGENDA DECLARATION**
Recording Secretary, Lauren Smith, reported that the agenda for today's Special Board Meeting was posted on Tuesday, August 16, 2022.

CONFLICT OF INTEREST DECLARATION **CONFLICT OF INTEREST**
President Saint-Amand stated his opinions shared during this meeting are his own and do not necessarily reflect the opinions of his employer, nor the Board.

PUBLIC QUESTIONS AND COMMENTS **PUBLIC COMMENTS**
None.

FINANCE COMMITTEE **FINANCE CM:**
Director Rajtora and Vice President Boyd provided a brief recap of the discussion held at the August 16, 2022, Special Finance Committee meeting. The Board also reviewed a prioritized list provided by Krieger & Stewart (K&S) and reviewed by staff. (See attachments). **RATE STUDY**

The Committee plans to hold another special meeting next week and asked the Board for their input on the list of prioritized Capital Improvement Projects. Further updates will be provided as necessary.

With no further Board or Public comments, President Saint-Amand recessed the meeting and adjourned to Closed Session at 8:36 a.m.

CLOSED SESSION

The meeting was reconvened in Closed Session at 8:45 a.m.

**CLOSED
SESSION**

Closed Session was adjourned at 9:37 a.m.

The meeting was reconvened to Open Session at 9:41 a.m.

The Board met with staff, legal counsel, and consultants and authorized the consultants to begin negotiations with one of the applicants for the General Manager position.

ADJOURNMENT

With no further business to come before the Board, the meeting was adjourned at 9:42 a.m.

ADJOURNMENT

Respectfully Submitted,



Lauren Smith

Recording Secretary

APPROVED: September 12, 2022

**INDIAN WELLS VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROJECT PRIORITIZATION**

- 1. B Zone: 24" Springer Avenue Transmission Pipeline (from Mahan St. to College Heights Blvd.)**
 - a. Estimated Cost (2021 dollars) = \$3,400,000
 - b. Benefits of Project:
 - Eliminates the overpressurization of Upjohn Ave. and Downs St. when filling the Gateway & Springer Reservoirs with 2 southwest well pumping plants.
 - Allows the Gateway and Springer Reservoirs to float more closely with the Ridgecrest Heights Reservoir.
 - c. Effects of postponing project:
 - Continued high pressures at Upjohn Ave. and Downs St.
 - Problems filling the Gateway, Springer and Kendall Reservoirs during high demand periods.

- 2. B Zone: 24" Gateway Boulevard Transmission Pipeline (from Springer Avenue to Gateway Reservoirs)**
 - a. Estimated Cost (2021 dollars) = \$2,500,000
 - b. Benefits of Project:
 - Allows for the operation of all southwest wells without overpressurizing Upjohn Ave. and Downs St.
 - Allows the Gateway Reservoirs to float more closely with the Ridgecrest Heights and Springer Reservoirs.
 - c. Effects of postponing project:
 - Continued high pressures at Upjohn Ave. and Downs St.
 - Problems filling or maintaining level in the Gateway Reservoirs during high demand periods.

- 3. Ridgecrest Heights Booster Replacement**
 - a. Estimated Cost (2021 dollars) \$2,500,000
 - b. Benefits of Project:
 - Provides west side support and redundancy to C-Zone during a catastrophic event
 - c. Effects of postponing project:
 - Limits the feed of all zones from C-E to the booster at Gateway

- 4. A and B Zones: Bowman Pressure Reducing Station (at the Bowman Reservoir Site)**
 - a. Estimated Cost (2021 dollars) = \$125,000
 - b. Benefits of Project:
 - Allows for the utilization of the Southwest Well Field for supplementing demand in the A Zone.
 - Allows for the utilization of B-Zone supplemental storage for emergency storage in the A Zone.
 - c. Effects of postponing project:
 - Reduced available emergency storage in the A-Zone.
 - Reduced available supply in the A-Zone.

- 5. A Zone: 30" Bowman Road Transmission Pipeline (from Brady Street to China Lake Boulevard)**
 - a. Estimated Cost (2021 dollars) = \$5,400,000
 - b. Benefits of Project:
 - Helps float the Kendall and Bowman Reservoirs by allowing the more flow to exit the Bowman Reservoirs.
 - c. Effects of postponing project:
 - May have issues with filling Kendall during high demand conditions.
 - May have issues with turnover in the Bowman Reservoirs during low demand conditions.

- 6. D Zone: 0.10 MG D-Zone Reservoir**
 - a. Estimated Cost (2021 dollars) = \$1,000,000
 - b. Benefits of Project:
 - Provides redundancy in storage for tank maintenance and emergencies.
 - c. Effects of postponing project:
 - One storage tank limits ability to perform maintenance and exposes D-Zone to potential water issues from another seismic event.

- 7. A Zone: Well Replacement (Due in 2024)**
 - a. Estimated Cost (2021 dollars) = \$2,000,000
 - b. Benefits of Project:
 - Required to meet demands in the A Zone.
 - c. Effects of postponing project:
 - Project may be postponed if well is still operational or as long as the Southwest Well Field is producing enough water to make up for the

**INDIAN WELLS VALLEY WATER DISTRICT
CAPITAL IMPROVEMENT PROJECT PRIORITIZATION**

8. A Zone: Well Replacement (Due for replacement between 2026-2035)

- a. Estimated Cost (2021 dollars) = \$2,000,000
- b. Benefits of Project:
Required to meet demands in the A-Zone.
- c. Effects of postponing project:
Project may be postponed if wells are still operational, or as long as the Southwest Well Field is producing enough water to make up for the loss.

9. A and B Zones: (2 A Zone 1 B Zone Well Replacements (Due for replacement between 2036-2040))

- a. Estimated Cost (2021 dollars) = \$5,300,000
- b. Benefits of Project:
Required to meet demands in the A and B Zones.
- c. Effects of postponing project:
Project may be postponed if wells are still operational.

10. A Zone: Well Replacements (2 Due for replacement between 2041-2045)

- a. Estimated Cost (2021 dollars) = \$3,500,000
- b. Benefits of Project:
Required to meet demands in the A-Zone.
- c. Effects of postponing project:
Project may be postponed if wells are still operational.

11. A Zone: 24" Bowman Road Pipeline (from Brady Street to new A-4 Reservoir), 3MG A-4 Reservoir

- a. Estimated Cost (2021 dollars) = \$12,000,000
- b. Benefits of Project:
Construction of the A-4 reservoir will bring the available storage in the A-Zone to the District's Optimal Emergency Storage (24 hrs. of maximum day demand)
- c. Effects of postponing project:

Existing 19 hours of emergency storage in the A-Zone will be less than Optimal (24 hours) but more than the Minimum (12 hours). Since the minimum allowable emergency storage is exceeded, this project is considered optional.

TOP LEVEL STRATEGY

SALARIES TO REMAIN COMPETITIVE – INFLATION WILL BE MITIGATED

LARGE CAPITAL INVESTMENTS PAID FOR WITH INCREASED DEBT SERVICE

LIMIT INCREASE DEBT SERVICE TO 0.9, 1.0, OR 1.1 MIL PER YR

NEED SUFFICIENT DEBT SERVICE CAPACITY TO INSURE FLEXIBILITY

NEED BOARD'S PREFERENCE (POSSIBLE EARLY TRADE SCENARIO)

COMMIT TO MINIMUM OF ONE MAJOR CAPITAL IMPROVEMENT

OBJECTIVE: 1 OR MORE ADDITIONAL CAPITAL IMPROVEMENTS

PRIMARY UNKNOWN: INTEREST RATE AND INFLATION RATE

DO WE GO FOR 2023 INTEREST RATES OR DEFER TO 2024 RATES?

WE NEED CAPITAL INVESTMENT PRIORITIES

NEED REFINED: PRE-LOAN COSTS, TOTAL COSTS, LOAN SCHEDULE

TOP LEVEL STRATEGY continued

YEARLY CASH CAPITAL INVESTMENT TO BE CAPPED AT XXX MIL PER YEAR
NEGOTIATED WITH STAFF (PRELIMINARY CIP DESIGN EFFORT EXCLUDED)

RESERVES TO BE USED TO COVER EMERGENCIES PRIMARILY
AND UNKNOWNNS: SGMA, ADJUDICATION, NEW WATER SUPPLY

PUMPING LEVELS WILL ACCOUNT FOR NEW STATE LAWS AND SGMA (i.e.,
REDUCED PUMPING)

INVESTIGATE RATE INCREASES DUE TO INFLATION AND CIP SEPARATELY
WD BOARD WILL BE GIVEN MULTIPLE RATE STRUCTURE SCENARIOS

RISK ANALYSIS WILL BE PERFORMED BY MODELING IMPACT OF:
HIGHER THAN EXPECTED INFLATION
LOWER THAN ANTICIPATED WATER USAGE

CAPITAL IMPROVEMENT PLAN PRIORITIES

1) 24" PIPELINE - SPRINGER AVE (MAHAN ST. TO COLLEGE HEIGHTS BLVD)	\$3,400,000	\$3,400,000	\$3,400,000
2) 24" PIPELINE - GATEWAY BLVD (SPRINGER AVE TO GATEWAY RESERVOIRS)	\$2,423,000	\$2,423,000	\$2,423,000
3) RC HEIGHTS BOOSTER	\$2,500,000	\$2,500,000	\$2,500,000
4) BOWMAN PRESSURE REDUCING STATION	\$125,000	\$125,000	\$8,323,000
5) 30" PIPELINE - BOWMAN ROAD (BRADY TO CHINA LAKE BLVD)	\$5,381,000	\$8,448,000	
	\$13,829,000		

ACTIONS

- 1) ASSIGN / HIRE A SRF LEAD
GET INTEREST RATES AND PROJECTIONS
- 2) IDENTIFY CAPITAL INVESTMENT PRIORITIES
NEED REFINED: PRE-LOAN COSTS, TOTAL COSTS, LOAN SCHEDULE
- 3) SEPARATE CAPITAL INVESTMENT
CASH CAPITAL
LONG TERM CAPITAL INVESTMENT
- 4) ESTIMATE INDOOR PLUS OUTDOOR STATE ALLOCATIONS
BOTH R-GPCD, UNITS PER MONTH
- 5) ESTIMATE TOTAL WATER PUMPED
- 6) ESTABLISH REPLENISHMENT FEE DISTRIBUTION

DECISIONS:

DEBT SERVICE INCREASE

ASSUMED INFLATION RATE

CAPITAL INVESTMENT PRIORITY

CASH CAPITAL BUDGET

TIER 1 WIDTH

TIER 2 WIDTH

TIER 3 WIDTH

OR DO WE ELIMINATE TIER 4?

TOTAL PUMPING

FIXED REVENUE VERSUS COMMODITY REVENUE RATIO

WHAT BUDGET SENARIOS TO BE GIVEN TO FULL BOARD?

????????

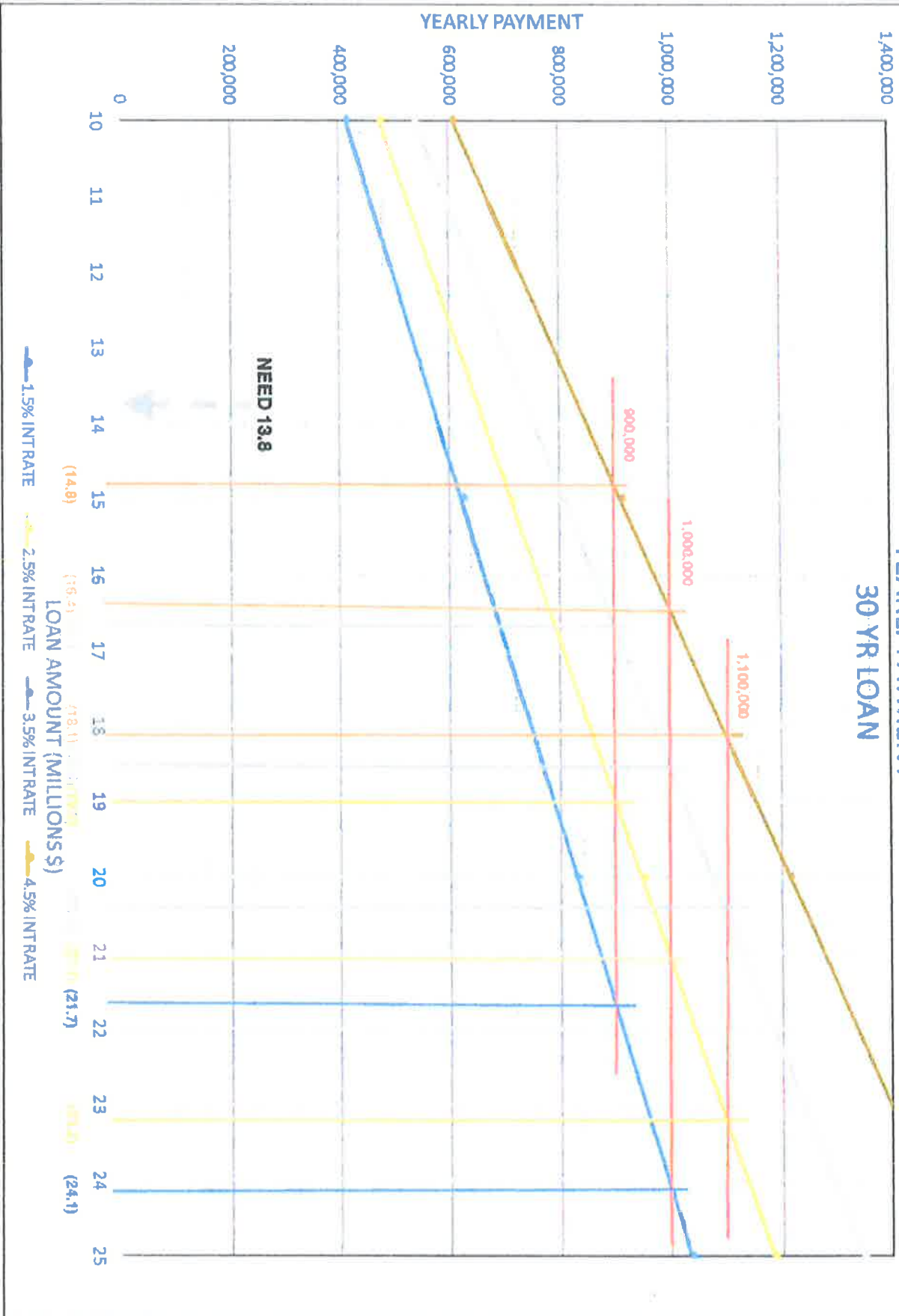
REPAYMENT OF A ONE MILLION DOLLAR LOAN

PAYMENT SCENARIO COMPARING 30 YR LOAN TO A 15 YR LOAN					
	6% LOAN	3% LOAN	2% LOAN	1% LOAN	
	TOTAL PYMNT PYMNT/YR	TOTAL PYMNT PYMNT/YR	TOTAL PYMNT PYMNT/YR	TOTAL PYMNT PYMNT/YR	
TOTAL PAYMENT - 30 YR	2,153,387	1,515,279	1,328,967	1,157,071	38,566
	71,780	50,509	44,299	1,076,461	71,764
TOTAL PAYMENT - 15 YR	1,513,959	1,240,558	1,156,657	1,076,461	71,764
	100,931	82,704	77,110	80,610	
ADDED COST	639,428	274,721	172,310	32,812	33,195
YRLY PYMNT REDUCTION	29,151	32,195	32,812	32,812	33,195

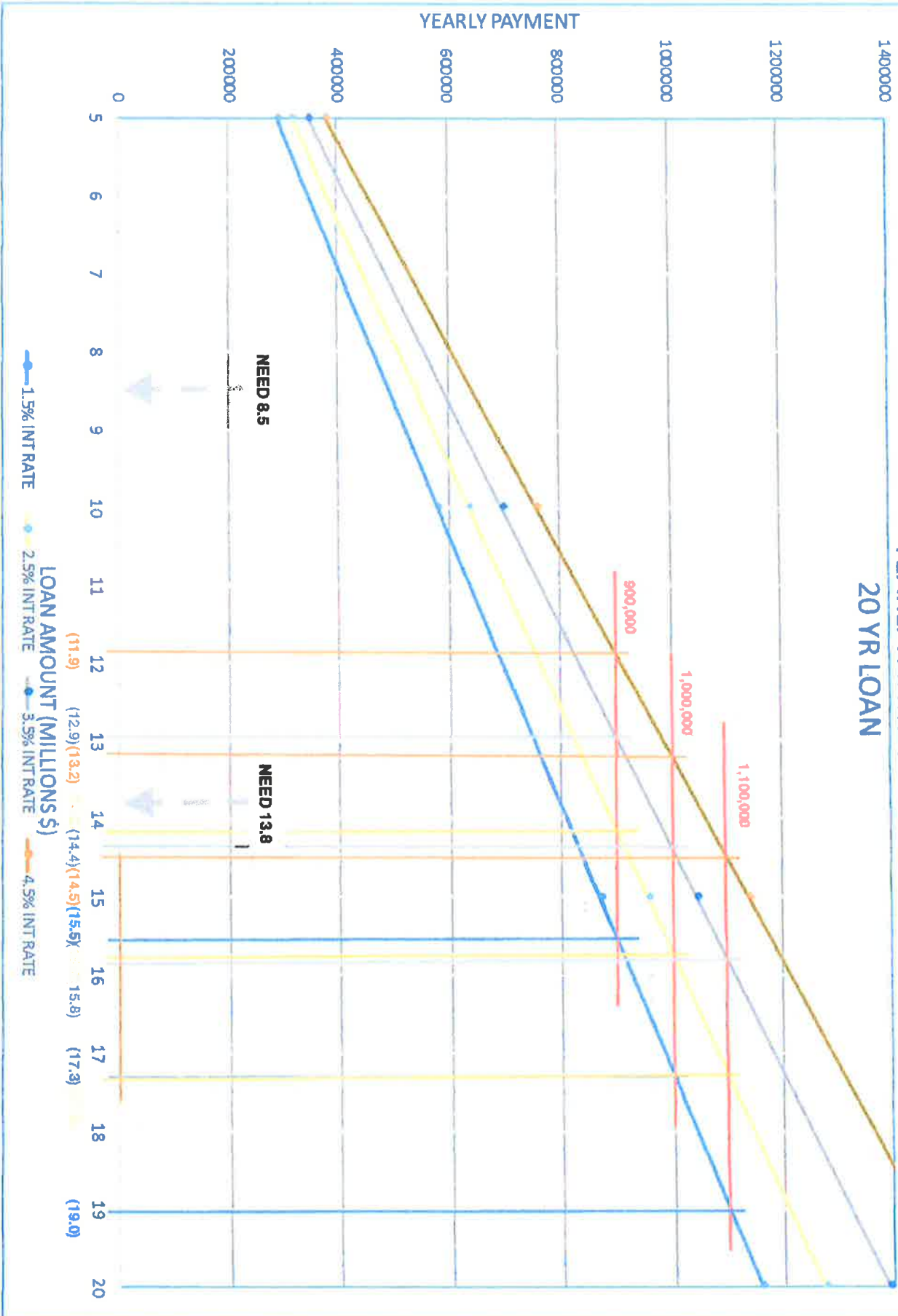
PAYMENT SCENARIO COMPARING 20 YR LOAN TO A 15 YR LOAN					
	6% LOAN	3% LOAN	2% LOAN	1% LOAN	
	TOTAL PYMNT PYMNT/YR	TOTAL PYMNT PYMNT/YR	TOTAL PYMNT PYMNT/YR	TOTAL PYMNT PYMNT/YR	
TOTAL PAYMENT - 20 YR	1,714,445	1,328,542	1,212,459	1,102,916	55,146
	85,722	66,427	60,623	1,076,461	71,764
TOTAL PAYMENT - 15 YR	1,513,959	1,240,558	1,156,657	1,076,461	71,764
	100,931	82,704	77,110	26,455	
ADDED COST	200,486	87,984	55,802	16,488	16,518
YRLY PYMNT REDUCTION	15,208	16,277	16,488	16,488	16,518

CONCLUSION: 20 AND 30 YEAR LOW INTEREST LOANS SAVE DEBT SERVICE CAPACITY!!

YEARLY PAYMENT 30 YR LOAN



YEARLY PAYMENT 20 YR LOAN



1.5% INT RATE

2.5% INT RATE

3.5% INT RATE

4.5% INT RATE

LOAN AMOUNT (MILLIONS \$)

(11.9)

(12.9)

(13.2)

(14.4)

(14.5)

(15.8)

(17.3)

(18)

(19.0)

NEED 8.5

NEED 13.8

YEARLY PAYMENT

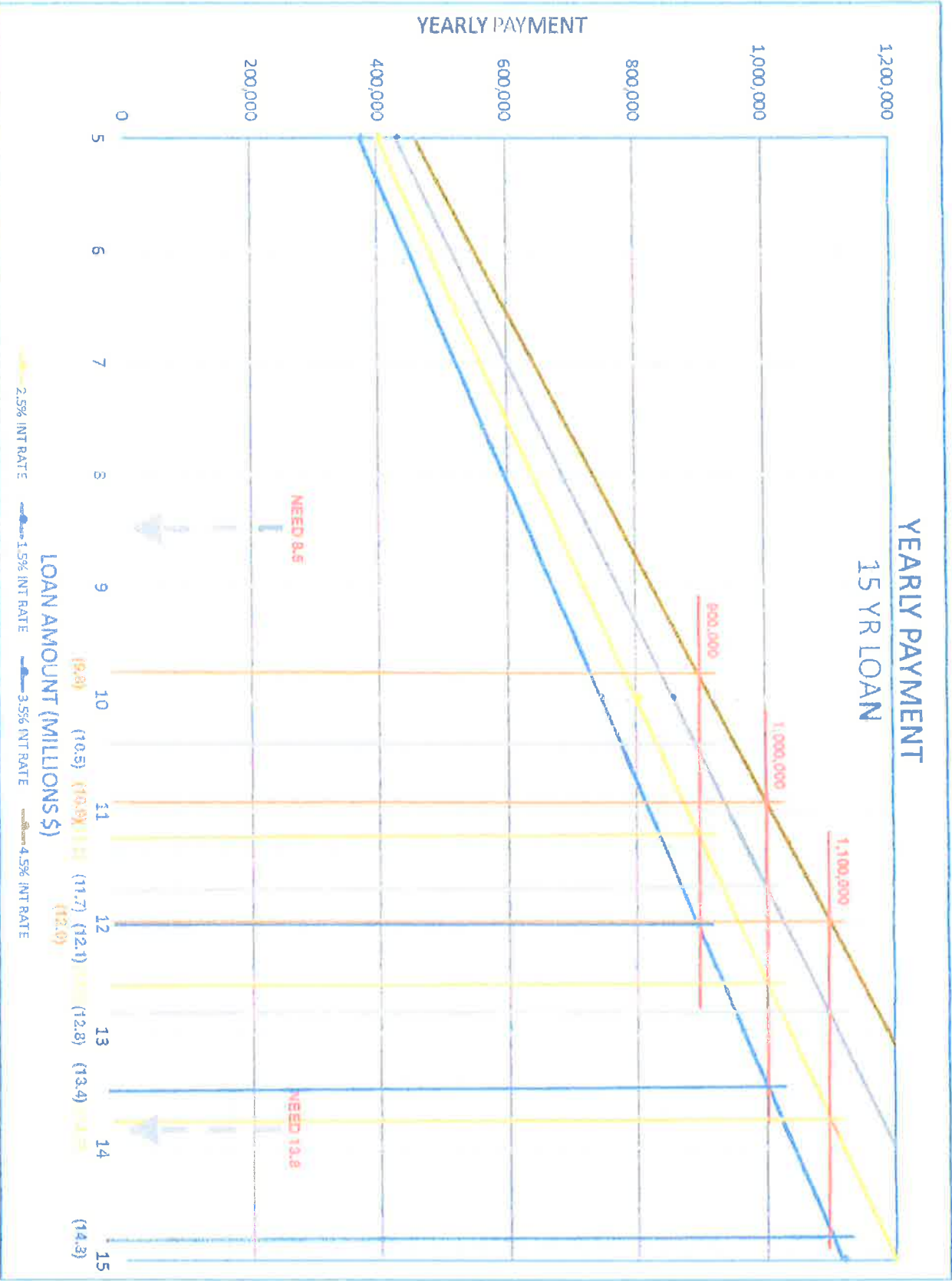
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5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

900,000

1,000,000

1,100,000



SUMMARY

15 YEAR LOAN		20 YEAR LOAN		30 YEAR LOAN		
PAYMENT		PAYMENT		PAYMENT		
Interest	900,000	1,000,000	1,100,000	900,000	1,000,000	1,100,000
1.5 per cent	12.1M	13.4M	14.8M	21.7M	24.1M	26.6M
2.5 per cent	4 PROJECTS	4 PROJECTS	5 PROJECTS	5 PROJECTS	5 PROJECTS	5 PROJECTS
3.5 per cent	11.2M,	12.5M	13.7M	19.0M	21.1M	23.2M
4.5 per cent	4 PROJECTS	4 PROJECTS	4 PROJECTS	5 PROJECTS	5 PROJECTS	5 PROJECTS
	10.5M	11.7M	12.8M	16.7M	18.6M	20.4M
	4 PROJECTS	4 PROJECTS	4 PROJECTS	5 PROJECTS	5 PROJECTS	5 PROJECTS
	9.8M	10.9M	12.0M	14.8M	16.4M	18.1M
	4 PROJECTS	4 PROJECTS	4 PROJECTS	5 PROJECTS	5 PROJECTS	5 PROJECTS

THE STAFF SUGGESTED 5 PROJECTS REQUIRE A \$13.8 MILLION LOAN

ALL PROPOSED 5 PROJECTS CAN BE FUNDED WITH A 30 YEAR LOAN AT THE LOWEST SUGGESTED DEBT SERVICE INCREASE.